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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

AUG 31 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)
)
1998 Annual Access Tariff Filings) CC Docket No. 98-104

DIRECT CASE OF
THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

The Southern New England Telephone Company (SNET) submits its Direct Case in response to the *Memorandum Opinion and Order, Order Designating Issues for Investigation, and Order on Reconsideration* adopted by the Federal Communications Commission (Commission) in this proceeding.¹ In its *Order*, the Commission states that SNET's reported levels of non-primary residential lines are lower than expected and, therefore, designates for investigation the common line rates of SNET.² As explained in this Direct Case, SNET's primary line penetration rate is based on actual data and is accurate. Thus, SNET urges the Commission to defer ordering SNET to make the extensive systems changes necessary to implement a new definition of non-primary lines pending the Commission's imminent release of an Order defining such lines. In the interim, the Commission can be assured that SNET is billing accurately based on current generally accepted definitions.

¹ *In the Matter of 1998 Annual Access Tariff Filings*, CC Docket No. 98-104, Memorandum Opinion and Order, Order Designating Issues For Investigation, and Order On Reconsideration, released July 29, 1998 (Order).

² *Id.* at para. 15.

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Specifically, this Direct Case demonstrates that: 1) SNET's non-primary line penetration rate is accurate; 2) unlike other Local Exchange Carriers (LECs), SNET does not offer lower rates for, discount, or promote the sale of non-primary residential lines; 3) it is not reasonable to require SNET to change its definition of non-primary lines at this time; 4) a definition of non-primary lines based on location may be impossible to implement in a retail environment; and 5) SNET was never given the opportunity to examine the Commission's "Additional Lines Study" to determine its accuracy.

I. SNET'S NON-PRIMARY LINE PENETRATION RATE IS ACCURATE.

In its 1998 Annual Access Tariff filing, SNET provided data indicating that its non-primary line penetration rate for 1997 was 6.88%.³ For that filing, SNET tracked actual (not estimated) line counts for primary residence, non-primary residence, single line business, and BRI-ISDN. These counts were taken from SNET's Product Information Tracking System (PITS) database. PITS is a downstream system from the Customer Record Information System (CRIS). Actual monthly data from January through December of 1997 was used, encompassing the entire SNET service area. The data was sorted by location and account. In this manner, if there was more than one telephone number per service location, SNET identified one primary line per account. The actual line counts used are shown in Exhibit 1.

SNET's non-primary line penetration rate is accurate. Unlike the studies utilized by the Commission to estimate non-primary line penetration rates, SNET actually

³ This ratio was determined as follows:

$$\frac{\text{non-primary residence} + \text{BRI}}{\text{single line business} + \text{primary residence} + \text{non-primary residence} + \text{BRI}}$$

counted all of its lines, and did not merely sample lines. Nor did SNET annualize its monthly data.⁴ In addition, SNET's line counts are consistent with data presented by SNET in other public arenas.⁵ It is also important to note that SNET's non-primary line penetration rate increased significantly in the first half of 1998. Exhibit 3 provides SNET's ISDN-BRI, primary and non-primary actual line counts for January through July 1998. Data for July 1998 indicates that SNET's non-primary line penetration rate is 8.9%.⁶

II. UNLIKE OTHER LECS, SNET DOES NOT OFFER LOWER RATES FOR, DISCOUNT, OR PROMOTE THE SALE OF ADDITIONAL LINES.

Unlike other LECs, SNET does not offer special promotions or discounts on additional lines.⁷ Nor does SNET waive installation fees for non-primary lines or offer free service on a promotional basis. Furthermore, SNET does not promote additional lines via advertisements or customer mailings. Therefore, there is no financial incentive for SNET customers to order additional lines for their homes. In fact, additional

⁴ Contrary to the Commission's assertion in Footnote 10 of its *Order*, SNET reported cumulative actuals in its tariff review plan and did not report the number of lines as the actual number of residential lines times twelve.

⁵ Exhibit 2 provides public documents and public comments made by SNET regarding actual or potential amount, growth and marketing of non-primary residential lines. Much of this information was presented to the Connecticut Department of Public Utility Control in Docket No. 98-02-20, *Joint Application of SBC Communications Inc. and Southern New England Telecommunications Corporation for a Change of Control*. It is interesting to note that, in this proceeding, SBC noted that it viewed SNET's low non-primary line penetration rate as an opportunity to increase marketing for this product.

⁶ This rate is based on SNET's count of primary vs. non-primary SLC USOCs billed in July 1998. This data was extracted from the PITS database. This ratio was calculated in the same manner as described in Footnote 3 above.

⁷ See Exhibit 4 for recent promotional materials distributed by Bell Atlantic, TCI and Cox. SNET's retail Internet affiliate offers one free jack installation to customers who sign up for SNET Internet. However, these customers are still required to pay the \$45 non-recurring installation charge if they choose to install a second line.

residential lines actually cost Connecticut customers *more* because the Commission subjects these lines to higher Subscriber Line Charges (SLCs) and Presubscribed Interexchange Carrier Charges (PICCs).

Many other LECs, however, offer special promotions or discounts on additional lines. Bell Atlantic, for example, offers \$20 off installation charges for additional lines in Massachusetts and offers a \$40 rebate in other states. Bell South offers a \$40 credit on customers' phone bills or a discount on Customer Premise Equipment (CPE). GTE waives the installation fee for its customers or offers discounted Internet access. Pacific Bell offers 30% off CPE and free installation of vertical services. Southwestern Bell offers free installation and credits on customers' bills. US West offers its customers \$15 off phone jack installation. Ameritech's Home Office Telecom Center always suggests a second line to customers who only have one line in their home. These companies also utilize direct mailings to their customers, as well as newspaper advertisements, to promote additional lines and the various discounts associated with these lines.

Various Competitive Local Exchange Carriers (CLECs) in Connecticut offer additional lines at rates that are much lower than their rates for primary lines. For example, Cox offers Connecticut customers a saving of 50% on its monthly rates for additional lines! In addition, TCI offers customers free installation and two months of free service on second phone lines.

III. IT IS NOT REASONABLE TO REQUIRE SNET TO CHANGE ITS
DEFINITION OF NON-PRIMARY LINES AT THIS TIME.

It is not reasonable to require SNET to change its definition of non-primary lines at this time. The Commission has not yet defined primary and non-primary lines. For purposes of its 1998 Annual Access Tariff Filing, SNET implemented a reasonable definition of non-primary lines, based upon the limitations of SNET's billing systems and customer impact. First, SNET's billing systems do not retain data indicating when a line was installed, making it impossible to identify which line, at a location with multiple lines, was installed first. Furthermore, SNET believes that a definition of non-primary lines based on location, as the Commission appears to be proposing, is not in the customers' best interest. Finally, it would not be reasonable to require SNET to implement the extensive systems changes necessary to change its definition at this time, especially when the Commission will soon be releasing its Order defining primary and non-primary lines.

Even the Connecticut Department of Public Utility Control, in its recent decision addressing intrastate access rates, implemented a state PICC that does not differentiate on the basis of primary versus non-primary lines.⁸ The Connecticut state access regime, therefore, is easy to implement, as all access lines are assessed the same PICC charge.

⁸ See Docket No. 96-04-07, *DPUC Investigation Into the Intrastate Rates and Charges Incurred by Long Distance Carriers to Access the Public Switched Telecommunications Network*, Final Decision (released June 24, 1998).

A. SNET'S Billing Systems Do Not Retain Data Indicating The Date On Which A Particular Line Was Installed.

SNET's billing systems do not retain data indicating the date on which a particular line was installed. Thus, in situations where multiple lines are in service at a particular location, it would be impossible for SNET to identify which line was installed first. Also, if the primary line at such a location were disconnected, SNET would have no way to identify which of the remaining lines was the second line installed and should, therefore, be the "new" primary line.⁹ Because the date of installation by line is not available to determine whether a line should be primary or non-primary, SNET would be forced to arbitrarily assign lines a primary or non-primary classification. This, of course, would generate customer confusion and complaints.

B. A Non-Primary Line Definition Based On Location Is Not In The Best Interest Of Customers.

A definition of non-primary lines based on location only, which the Commission appears to be proposing, is not in the best interest of customers. Implementing this definition would result in a great deal of customer confusion and difficulty in determining which lines at a particular location would be treated as the non-primary lines. For example, at a location in which three unrelated roommates live together,¹⁰ each having his or her own line and account, only one of these roommates (presumably the one who called in for service) would pay the lower primary line SLC and

⁹ Moreover, every time there is such movement with respect to customer accounts, SNET would incur costs in order to implement the changes necessary to classify or re-classify the lines at such a location.

¹⁰ The same situation would also exist with respect to in-laws living with their children's families.

PICC rates. The other roommates would be required to pay the higher non-primary line SLC and PICC rates. This would cause customer confusion and would undoubtedly generate customer complaints. Furthermore, it would simply be unfair to those customers who receive the non-primary lines and are required to pay the higher non-primary SLC and PICC charges. Thus, a location-based definition would impose higher charges on some customers than others without a rational basis.

Furthermore, savvy customers could easily “game the system” by subscribing to different local service providers for each of their lines in order avoid the higher non-primary SLC and PICC rates. Also, customers could create artificially different “locations” in residential households for each of their lines (i.e., 1st floor vs. 2nd floor). This would defeat entirely the Commission’s intent.

Even if the Commission were to implement the “minimal definition” of non-primary lines defined in its *Memorandum Opinion and Order* released in June,¹¹ customers could still avoid the higher non-primary SLC and PICC rates by billing additional lines under slightly different names (i.e., John Doe, J.A. Doe, or John Doe, Jr.). This would place an impossible burden on SNET customer service representatives to interrogate customers regarding their identity and relationship to other individuals at the same location with similar names. In addition, SNET would have to create expensive and elaborate programming logic to enable its systems to identify such situations. This would

¹¹ “We find that, at a minimum, definitions of primary and non-primary residential lines should categorize a second residential line as non-primary if the line is billed to the same name at the same location.” *In the Matter of Tariffs Implementing Access Charge Reform*, Docket No. 97-250, Memorandum Opinion and Order (released June 1, 1998), at para. 36.

lead to inevitable errors and would result in customer confusion, which would generate numerous customer complaints.

C. Extensive Systems Changes Are Not Warranted At This Time.

Extensive changes to SNET's order negotiation and billing systems, for purposes of implementing a different definition of non-primary lines, are not warranted at this time. Implementing a different definition would require a re-write of SNET's order negotiation processes in the Service Negotiation Application Platform (SNAP) system, which maps the appropriate access line charge based on main telephone number versus auxiliary telephone number on the same account. Implementing a new definition of non-primary lines would also require converting the SLC Universal Service Order Code (USOC) on those lines on the existing base that are now identified as primary. To accomplish this, SNET must develop new programs to create and maintain a location/name/primary line/non-primary line information database.

On an on-going basis, the edits for SLC USOCs for residence main lines must change. SNAP would need a new interface to an existing system in order to determine the working telephone numbers for the location, then perform another mechanized query to ascertain which SLC USOC is required for installation of a new residence main line. Furthermore, with disconnect and transfer orders for example, SNET customer service representatives would need to determine if and when another line at that location should be changed to primary. CRIS would also need to access this database to validate the order. Since no such system exists today, either an entirely new system must be developed, or extensive modifications must be made to an existing system.

In addition, primary residence PICCs are billed for residence main lines because those USOCs are assigned a primary residence SLC. Under a new definition, the SLC would need to be checked to determine if the line is primary or non-primary. This would require significant changes in both the CRIS and Customer Account Record Exchange (CARE) systems.

Since the industry anticipates that the Commission will soon release an Order defining non-primary lines, systems changes will be required at that time. SNET believes that it is reasonable to wait until that Order is released before implementing these extensive systems changes. To make such changes now, and then again once the Order is released, is inefficient, unnecessary and costly, especially given the volume of other systems changes that SNET is currently undergoing as a result of mandates from the Commission and the Connecticut Department of Public Utility Control. These other systems changes include: 1) implementation of the Commission's requirements in Docket 98-2 (requiring LECs to "un-PIC" customers to whom Interexchange Carriers (IXCs) have terminated service); 2) intrastate price cap re-rate; 3) intrastate PCCC implementation; 4) recovery of Local Number Portability costs; and 5) Local Exchange Balloting Process.

For the reasons stated above, it is not reasonable for SNET to change its definition of non-primary lines at this time. Implementing a definition of non-primary lines based on location would not be in the best interest of customers. Furthermore, implementing a new definition would require extensive and costly changes to SNET's billing and order negotiation systems. Thus, SNET urges the Commission to release an Order defining

non-primary lines and not require SNET to implement extensive systems changes prior to that Order.

IV. A DEFINITION OF NON-PRIMARY LINES BASED ON LOCATION MAY BE IMPOSSIBLE TO IMPLEMENT IN A RETAIL ENVIRONMENT.

SNET faces a complete wholesale/retail transformation long before the rest of the industry. Pursuant to the Connecticut DPUC's decision in Docket No. 94-10-05, *DPUC Investigation of The Southern New England Telephone Company Affiliate Matters Associated with Public Act 94-83*, all local exchange customers will be asked to complete a ballot to choose their local exchange carrier in the summer of 1999. At the conclusion of the ballot, SNET's retail affiliate (SNET America, Inc.), as well as dozens of other carriers such as AT&T, MCI, Sprint and Connecticut Telephone, will serve end-users as CLECs, while SNET will operate solely as a wholesale network provider. In this environment, all local exchange customers will be served by a CLEC. In fact, end users could have multiple local service providers at a single location. As a network service provider, SNET, in all cases, will not maintain end user billing information; nor will SNET be involved in end user negotiations. Therefore, SNET will have no mechanism to aggregate billing name and number of lines per location. In this environment, the CLEC will have responsibility for determining the primary and non-primary billing numbers of its end users.

Although SNET has the data to identify service location, with respect to resale lines, SNET cannot identify which of those resale lines are primary and which are non-primary. Furthermore, if an end user buys local service from a CLEC that does not resell

SNET service (i.e., complete bypass), SNET would not even have the data necessary to identify that other service exists at the service location, let alone the ability to identify whether such lines are primary or non-primary. As a result, the different rates for non-primary lines may be impossible to administer in such an environment.

V. SNET WAS NEVER GIVEN THE OPPORTUNITY TO EXAMINE THE COMMISSION'S "ADDITIONAL LINES STUDY."

SNET was never given the opportunity to examine the Commission's "Additional Lines Study," which estimated SNET's non-primary line penetration rate to be 11.88%. As such, SNET cannot be sure that the data underlying this study is statistically valid with respect to SNET's service territory. Thus, the study cannot be relied upon by the Commission as a valid indicator of what SNET's non-primary line penetration rate should be.

Furthermore, some of the individuals questioned in this study may not have even been SNET customers, because NYNEX serves a portion of southwestern Connecticut. However, since this study was not made available to SNET to review, SNET cannot be sure whether the customers sampled were, in fact, even SNET customers.

In addition, the definitions of "additional lines" utilized by LECs and by the various studies cited by the Commission are significantly different. Also, as SBC Communications correctly noted in its Petition for Reconsideration, the data collected in the Additional Lines Study does not actually represent a percentage of additional lines – it represents the percentage of *households* that have additional lines.¹² This is important,

¹² *In the Matter of Tariffs Implementing Access Charge Reform*, CC Docket No. 97-250, Petition for Reconsideration of SBC Communications, Inc. (filed July 1, 1998), at 8.

especially in a state such as Connecticut, where it is not unusual for households to be comprised of more than one family unit.

In any event, the "Additional Lines Study" does not refute SNET's actual reported penetration rate for several reasons. First, the study uses a sample of only 101 Connecticut customers, which results in a sampling precision of +/- 6.3% at a 95% reliability level.¹³ SNET's actual reported non-primary line penetration rate of 6.88% falls well within this calculated interval (not to mention SNET's July 1998 non-primary line penetration rate of 8.9%).

VI. CONCLUSION

In this Direct Case, SNET has provided support for its actual reported non-primary line penetration rate and has demonstrated that this rate is accurate. Thus, SNET urges the Commission to defer ordering SNET to make the extensive systems changes necessary to implement a new definition of non-primary lines pending the Commission's imminent release of an Order defining such lines. Because SNET's primary line penetration rate is based on actual data and is accurate, such a delay should not adversely affect the Commission's goals. Pending determination of final definitions of primary and

¹³ The following is the formula for obtaining the % precision of a single sample estimate of a proportion:

$$e^2 = z^2 * p * (1 - p) / n \quad \text{where: } e = \% \text{ precision}$$

$z = 1.96 \text{ for } 95\% \text{ reliability level}$
 $p = \% \text{ non-primary}$
 $n = \text{sample size}$

non-primary lines, the Commission can be assured that SNET is billing accurately based on current generally accepted definitions.

Respectfully submitted,

THE SOUTHERN NEW ENGLAND
TELEPHONE COMPANY

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August 29, 1998

EXHIBIT 1**1997 Actuals**

	<u>Consumer (Wholesale and Retail)</u>			<u>Business (Wholesale and Retail)</u>	
	<u>Primary</u>	<u>Non-prim'</u>	<u>ISDN BRI</u>	<u>Single Line</u>	<u>ISDN BRI</u>
January	1,305,454	83,998	631	44,776	3,416
February	1,309,779	86,465	659	45,144	3,584
March	1,313,188	89,101	693	45,707	3,723
April	1,316,354	91,173	706	46,362	3,853
May	1,316,028	92,692	731	46,350	4,020
June	1,316,891	94,022	759	46,900	4,110
July	1,316,727	95,626	795	47,363	4,249
August	1,318,818	97,288	809	47,845	4,441
September	1,321,188	100,017	845	47,950	4,590
October	1,322,892	103,114	880	48,447	4,811
November	1,325,402	105,479	904	49,132	4,971
December	1,326,409	109,345	932	54,600	6,005
Total	15,809,130	1,148,320	9,344	570,575	51,773

EXHIBIT 2

PUBLIC DOCUMENTS / COMMENTS BY SNET REGARDING NON-PRIMARY RESIDENTIAL LINES

- I. SBC-SNET Merger: FCC Transfer of Control Applications
Form 490, Exhibit 2, Page 35 of 52
- II. DPUC Docket No. 98-02-20
Interrogatory Reply by Southern New England
Telecommunications Corporation
Request No. OCC-39 "Additional Line Penetration"
- III. DPUC Docket No. 98-02-20
Interrogatory Reply by SBC Communications Inc.
Request No. TE-34
- IV. DPUC Docket No. 98-02-20
Joint Rebuttal Testimony of Anne U. MacClintock & Robert R.
Laundy on Behalf of Southern New England Telecommunications
Corporation
- V. DPUC Docket No. 98-02-20
June 29, 1998 Hearing Transcript
- VI. DPUC Docket No. 98-02-20
June 11, 1998 Hearing Transcript
- VII. DPUC Docket No. 98-02-20
June 8, 1998 Hearing Transcript
- VIII. DPUC Docket No. 98-02-20
Prefiled Testimony of James S. Kahan on Behalf of SBC
Communications Inc.
- IX. 1997 Annual Report & Proxy Statement of Southern New England
Telecommunications Corporation *
- X. Quarterly Earnings Report of Southern New England
Telecommunications Corporation (for 2Q 1998) *

* It is important to note that Home Office lines were counted as additional (non-primary) lines in the Annual Report and Quarterly Earnings Report. This explains why the number of additional lines presented in these reports is higher than the number presented to the DPUC in Docket No. 98-02-20 and in SNET's 1998 Annual Access Tariff Filing with the Commission.

**DESCRIPTION OF TRANSACTION,
PUBLIC INTEREST SHOWING
AND RELATED DEMONSTRATIONS**

I. Introduction

These applications seek Commission approval for the transfer of control of certain FCC authorizations held by subsidiaries of Southern New England Telecommunications Corporation ("SNET") from SNET, as the parent of the licensees, to SBC Communications Inc. ("SBC"), as the proposed new parent of SNET.¹ A list of the categories of FCC authorizations controlled by SNET appears at Attachment A to this Exhibit. Separate applications are being filed for each class of authorizations.

II. The Proposed Transaction

On January 4, 1998, SBC and SNET entered into an Agreement and Plan of Merger (the "Plan"), under which SNET would become a first tier, wholly-owned subsidiary of SBC. A copy of the Plan appears at Attachment B to this Exhibit. The Applicants plan to consummate the merger by the end of 1998, after the

¹ SBC and SNET are jointly referred to as the "Applicants."

In addition to the foregoing benefits, the Applicants believe that this merger will further enhance the ability of the combined company to compete, to provide new and innovative services, and more effectively to market existing services to its Connecticut customers, as a result of SNET's access to SBC's network equipment purchasing discounts, SBC's local marketing expertise (as evidenced by its significantly higher penetration rate than SNET's for second lines and other features which are desired by customers), and SBC's extensive network, market research and product development expertise.

SBC's market research department has spent a considerable amount of money on research designed to determine the needs of its customers. It has also spent considerable sums determining and testing how best to provide new services to its customers in packages that make the most sense for them. While there are differences in the demographics and the needs of each area, a substantial amount of the investment SBC has made in market research can be used to enhance SNET's ability to provide services in Connecticut.

Similarly, SBC's research and product development subsidiary, Technology Resources, Inc. ("TRI"), has made and continues to make substantial

OFFICE OF CONSUMER COUNSEL
Interrogatories to Southern New England Telecommunications Corporation

ADDITIONAL LINE PENETRATION

Witness Responsible: Anne U. MacClintock

OCC-39: Provide penetration rates for second lines for households for each of the years 1992 through 1998.

Answer: Additional Line Penetration

	1994	1995	1996	1997	Jan. 1998
Additional Lines	4.04%	4.59%	5.60%	7.42%	7.60%

Note: Data prior to 1994 are not available.

Second (additional) line penetration is based on additional line(s) per single bill.

DEPARTMENT OF PUBLIC UTILITY COMMISSION
Interrogatories to SBC Communications Inc.

TE-34: Reference Kahan Testimony, pp. 25 and 26. Describe the specific areas of SNET operations that will benefit from SBC managerial strength and experience.

Answer: SBC anticipates that each of the SNET operations will benefit from SBC's managerial strength and expertise. SBC has been in the telecommunications business for over 100 years and has an excess of 100,000 employees with significant levels of expertise in a variety of specific fields. As explained in detail in the joint application and in the pre-filed testimony submitted by SBC and SNET in this matter, SNET will gain access to SBC's Technology Resources, Inc. ("TRI"), SBC's world class research affiliate and will gain from the experience and resources expended by SBC in the testing and development of new products and services. SBC has significant marketing expertise and demonstrated by its success in marketing additional services such as Caller ID, second lines and voice mail services. SBC is a premier wireless provider in the United States and significant expertise in the design, development, maintenance and operation of wireless networks. SBC has the highest wireless penetration rate in the industry, which is a direct result of its marketing expertise in the wireless area. SBC values its employees and provides outstanding opportunities for growth and advancement. SBC has an excellent relationship with its union as evidenced by its recent success in negotiating tentative agreements with the Communications Workers of America (CWA) for its employees in Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell who are represented by that Union. See Interrogatory Responses and Objections of SBC Communications Inc., the general statement on joint post-merger planning filed with the responses to these interrogatories.

Witness

Responsible: James S. Kahan

SBCSNET000476

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

JOINT APPLICATION OF SBC	:	DOCKET NO. 98-02-20
COMMUNICATIONS INC. AND	:	
SOUTHERN NEW ENGLAND	:	
TELECOMMUNICATIONS	:	
CORPORATION FOR APPROVAL	:	
OF A CHANGE OF CONTROL	:	JUNE 1, 1998

JOINT REBUTTAL TESTIMONY OF
ANNE U. MACCLINTOCK AND ROBERT R. LAUNDY
ON BEHALF OF
SOUTHERN NEW ENGLAND TELECOMMUNICATIONS CORPORATION

1 truth. Dr. Cooper's statement makes no more sense than suggesting that SNET use
2 its tax books, which include accelerated depreciation, for regulatory purposes.

3 Dr. Cooper also points out, as though it were evidence of some problem, that
4 "there is very little equity in SNET's parent holding company" citing that in 1996,
5 SNET's equity was \$463 million, while the Telco's equity was \$1,276 million. This
6 phenomenon is due primarily to equity write offs at the holding company level, such
7 as that for postretirement benefits discussed above. These write offs have resulted in
8 a reduction in shareholder equity that has the effect of an apparent inflation in the
9 equity return calculated for SEC purposes. This phenomenon results simply from
10 the different ways that the SEC, the Internal Revenue Service and state and federal
11 utility regulators require transactions to be booked. There are no problems with our
12 records. The problem lies rather with Dr. Cooper's selective apples to oranges use
13 of data.

14 Q. Are there other examples?

15 A. (Laundy) Yes, but I will only give one other example. Dr. Selwyn states that
16 employment is growing absent the merger, yet he selectively chooses the period
17 1995 through 1997, a period during which there was a major employee retirement
18 offer, after which the Telco had to replace approximately 2,000 people. This is
19 clearly not a representative period for determining trends in employee levels.

20 Q. Please address Dr. Selwyn's allegation that Connecticut's 8% second line
21 penetration represents a potential lucrative region for the marketing of second lines.
22 (Selwyn pp. 42-43.)

- 1 A. (MacClintock) Although second line penetration levels at the Telco are less than
2 those found at SBC, there are several factors which may account for the Telco's
3 penetration levels. The Telco has facilities' shortages in its outside plant today.
4 Thus, additional lines require dispatches of outside plant technicians on a significant
5 number of occasions. Given that the Telco is already struggling to meet increased
6 demand for residential lines because of these capacity limitations, as well as meet
7 Internet trunking demand, it has not seemed prudent from a financial or workload
8 perspective to engage in second line penetration campaigns. In addition, because
9 local service does not cover its cost, and because the cost of installation is higher for
10 a dispatchable order than for a non-dispatchable order, second lines are not a money
11 maker for the Telco today.
- 12 Q. Does this conclude your rebuttal testimony?
- 13 A. (MacClintock, Laundry) Yes.

June 29, 1998
DN98-02-20

1508

1 Q. (Wertheimer) That's exactly what I
2 was going to read. Just for clarity of the
3 record, referring to page 363 of the
4 transcript, lines 15 to 20, I asked you
5 "Isn't it true from April 1st, 1997 to March
6 1st, 1998, 2,363 management jobs have been
7 eliminated or consolidated throughout SBC's
8 territories?"

9 And you answered. "That is
10 correct. That is in my testimony."

11 A. (Carr) That's when we got into
12 discussions of the difference between
13 positions and people. There were not 2,363
14 people that left, that was the job positions
15 themselves.

16 Q. (Wertheimer) Okay. Thank you.
17 Mr. Kahan, you've testified during these
18 hearings that the DPUC should consider SBC's
19 track records with respect to the Pac-Bell
20 merger when considering your proposed merger
21 with SNET; is that correct?

22 A. (Kahan) Yes.

23 Q. (Wertheimer) And you've already
24 testified that if the proposed merger between

25 SBC and SNET is approved, that SBC plans to

1 increase second line penetration vertical
2 services in Connecticut; is that also
3 correct?

4 A. (Kahan) We plan to try. If the
5 customers want the service, they will buy
6 it.

7 Q. (Wertheimer) You've even testified
8 that SBC has the marketing and sales
9 experience to help SNET utilize its network
10 to a higher degree and that means selling new
11 products and existing products and services?

12 A. (Kahan) That's correct.

13 Q. (Wertheimer) Mr. Kahan, please
14 refer to Late-File 21.

15 A. (Kahan) Is that an SBC?

16 Q. (Wertheimer) No. It was filed by
17 the OCC.

18 A. (Kahan) Oh, okay. Yes, okay.

19 Q. (Wertheimer) Late-File 21 contains
20 a number of documents; is that correct?

21 A. (Kahan) Yes, it does.

22 Q. (Wertheimer) Okay. And one of
23 these documents is a petition of the Office
24 of Ratepayer Advocates for an order that